

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**  
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 2 \_ \_ 1 2

2. STATE:

Michigan

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL  
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR  
HEALTH CARE FINANCING ADMINISTRATION  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

4/8/2002

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447

7. FEDERAL BUDGET IMPACT:

a. FFY 2002 \$ (7,473,730)

b. FFY 2003 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A Page 32

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  
OR ATTACHMENT (If Applicable):

Attachment 4.19-A Page 32

10. SUBJECT OF AMENDMENT: Implement Executive Order No. 2001-9, reduce inpatient hospital  
payments approximately 5%

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL☒ OTHER, AS SPECIFIED: James K. Haveman, Jr.  
Director, Michigan Department  
of Community Health

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James K. Haveman

14. TITLE:

Director

15. DATE SUBMITTED:

5/28/2002

16. RETURN TO:

Michigan Department of Community Health  
Office of Federal Liaison  
Lewis Cass Building - Sixth Floor  
320 S. Walnut Street  
Lansing, MI 48913  
ATTN: N. Bishop

## FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

5-29-02

18. DATE APPROVED:

August 6, 2002

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

4/8/02 PAH

20. SIGNATURE OF REGIONAL OFFICIAL:

Minnie Ford-Griffin, Acting ARA

21. TYPED NAME:

Cheryl A. Harris

22. TITLE:

Associate Regional Administrator  
Division of Medicaid and Children's Health

23. REMARKS:

RECEIVED

MAY 29 2002

DMCH - MI/MN/WI

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT  
State: MICHIGAN

METHODS OF PAYMENT OF REASONABLE COSTS -  
INPATIENT HOSPITAL SERVICES

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If an appeal results in a change which affects claims already processed, three alternatives to implement the change shall be available.

1. The hospital may elect to submit claim adjustments through the normal billing process.
2. The hospital may request an early initial settlement for the entire hospital. The initial settlement will incorporate the appeal decision in determining the gross program liability. Initial settlements are done only after the end of a hospital's fiscal year end.
3. The impact of the appeal decision may be incorporated into the hospital's final settlement process.

V. Special Payment Adjustments

Executive Order No. 2001-9 directed the Department of Community Health (DCH) to reduce hospital payments by \$13,260,700 for FY'02. The reduction will be made by gross adjustment applied to medical/surgical hospital, rehabilitation hospital and distinct part rehabilitation unit payments.

A calculated share of the total reduction will be assessed to all hospitals and units operating and enrolled in the Medicaid program on the date the E.O. Reduction is processed. The reduction will be based on inpatient hospital paid claims for hospital admissions from September 1, 1999 to August 31, 2000. (The last year of the paid claims data, used to rebase hospitals in FY'02, will be used to implement this E.O. Reduction.) Claims were processed and paid using Medicaid DRG Grouper 17.0 and October 1, 2000 hospital prices. Paid claims include Title V, Title XIX, and Title V/XIX inpatient hospital claims. A hospital's share of the reduction will be calculated by dividing the total of its paid claims by the total of the paid claims for all eligible hospitals times the total amount of funds to be recovered.

Merged hospitals will have their reductions combined. Reductions will be taken from the surviving hospital.

Each hospital's paid claim file was reviewed and appealed at the time the data was created for the purposes of rebasing inpatient hospitals in FY'02. No further appeal of the inpatient hospital paid claims data will be allowed. The E.O. reduction will be included in a hospital's settlement.

Each hospital's share of the reduction will be made by a single gross adjustment to the hospital's inpatient hospital Medicaid ID number. Recoveries will be taken from the hospital's payments until the E.O. Reduction is complete.

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TN No. 02-12 Approval \_\_\_\_\_ Effective Date 4/8/02  
Supersedes  
TN No. 00-05